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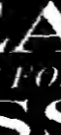
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**TO: MICHAEL BURNS, SWANSEA CENTRE FOR TRADE & INDUSTRY,  
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## MANAGEMENT: MARKETING AND ADVERTISING

The French enlisted history-makers to market the Channel Tunnel, but UK advertising has had to be coaxing and humorous, says Charles Batchelor

## Softly, softly approach

British newspaper advertisements for the Channel tunnel show cartoon-like figures snoozing their way through the tunnel or driving down French roads. The French press advertising campaign, by contrast, features Napoleon, Churchill and Queen Victoria giving their blessing to the venture.

These different approaches reflect national attitudes to the European engineering project of the past decade.

For the sceptical British, tunnel to a stream of issues about problems in the £10bn project, including this week's announcement of another delay in the launch of train services, the approach has had to be gentle, humorous and coaxing. For the French, who regard the tunnel with pride as a natural extension of their record-breaking, high-speed rail network, the tunnel must be presented with all ceremony.

This two-pronged advertising strategy - which initially caused some controversy on the Euro-tunnel board - is part of a wider marketing strategy which had to address important pricing, distribution and public relations issues.

According to Christopher Garnett, Eurotunnel's director of Euro-tunnel, some people wanted the UK campaign to be triumphal about the tunnel. But research by Eurotunnel and its advertising agency, DDB Needham, showed that with the problems completing the venture such an approach left people cold.

"We realised our ads could not be pompous. They had to be light-hearted while at the same time explaining why people should use the tunnel. The board did not like the idea of a tunnel. They felt that they had worked so hard on the project. But in the end the market research swung the argument."

The friendly images of the cartoons - intended to make the journey less of a frightening prospect for those who fear claustrophobia, and to show a relaxed approach to the tunnel - were a success. The Eurotunnel name rose 15 points after the campaign was launched in November last year, while its marketing targets were exceeded by 8 to 4 per cent, says Garnett. Later this month the press campaign will be followed up by television advertising maintaining the light tone.



Impossible  
n'est pas français.  
*Napoléon, empereur*



Si cela peut se faire,  
je donne ma bénédiction.  
*Victoria, reine*

Given that the success of the tunnel hinges on the operators tapping a new market for cross-channel travel, countering fear is inevitably one of the big challenges.

Garnett, who joined Eurotunnel from ferry company Sealink, says Stena Line, in March 1991, claims not to be concerned about surveys which highlight this.

All points on the only 10 per cent of Britons have ever taken their car abroad and only 10 per cent go on a foreign motoring holiday in any one year. At the same time, he adds, relatively few mental Europeans take their cars to the UK, partly because of fears about driving on the left.

Eurotunnel hopes to capture half the existing car passenger market of 6m journeys by 1996. But the company believes it will also be able to create a new class of traveller attracted by the convenience

of the shuttle to spend weekends in Le Touquet rather than Devon.

The press, TV and poster advertising - the lion's share of Eurotunnel's £10m marketing budget - public relations has also played a prominent, if not always constructive, role. The uniqueness of the project - which has guaranteed extensive press coverage - has obviously helped, though this can cut both ways.

An unfortunate choice of words by Charles Batchelor, the company's PR man, prompted The Sun, the biggest-selling UK tabloid newspaper, to splash a headline on its front page: "We don't want Sun readers in our Channel. No entry to you lot." The Sun claimed its readers were seen as too downmarket by the "train snobs" at Eurotunnel.

The misstatement of the words had provoked a more positive response and a burst of coverage in

the news columns, though a premature story in one Sunday paper created a false impression that Eurotunnel would pitch its prices at the lower end of the ferry tariffs.

In fact, the shuttle prices are among the top of the ferries' range, reflecting both a shortage of shuttle rolling stock which will limit capacity in the early months and the novelty value of travel through the tunnel. The ferry operators were relieved that Eurotunnel had not launched an immediate price war but few people expect the prices to hold for long.

Eurotunnel had initially intended to sell its tickets directly to the public. But because 70 per cent of Britons buy their holiday tickets through a travel agent, Garnett decided to stick to traditional sales methods.

Apart from the train, the Sun, Eurotunnel's marketing campaign appears to have been well received, even winning a back-handed compliment from one of its rivals. Brian Langford, marketing director of P&O European Ferries, says Eurotunnel is right to present a friendly image in advertising what he calls "a fairly spartan product".

It was clear from the outset that the tunnel would have to be sold on speed, convenience, and would be little opportunity to introduce on the trains the restaurants, discotheques and shops which are available on the ferries.

It is just these features - conjuring up the idea of cross-Channel sailing as a leisure experience - which P&O is now using to compete with the tunnel. It is drawing on its reputation as a cruise line, which in the early days served to distinguish the company from its ferry rivals.

Langford acknowledges that P&O cannot match the tunnel in the amounts it spends on promotion, though it is attempting to keep its name in the public eye with a more modest campaign. Even so, many transport specialists expect the ferries to be forced to make sharp reductions in the frequency of their Dover-Calais sailings.

Garnett believes the tunnel will become the natural way to travel to the Continent and that talk of the ferries as a leisure experience will be irrelevant. The millions spent on marketing will undoubtedly help.

To The Gap, there is nothing more attractive than the back of a bus. When the US clothing retailer moved into the British market, it was looking for an advertising medium that would reach millions of adults. Buying poster space on London's buses, says the company, "gave us the appearance of owning the town".

Younger, wealthier adults were also the target of Ballygowan, the Irish spring water company, when it expanded into the UK. Beginning with a London launch, it paired a colour magazine campaign with poster advertising on London Underground.

Ballygowan took "natural" sites on the Tube - research suggests that travellers spend an average of 3.5 minutes a journey waiting at tunnel walls while they wait for trains.

The biggest names are also attracted to London's public transport system as an advertising medium: Coca-Cola, American Express, Nike, Nestlé, Virgin Records, Marks and Spencer and IBM have all advertised on the buses, the Tube or both.

A one-month campaign on the Underground is said to reach 3m adults who are heavily weighted towards the upper end of the market: the potential daily audience for London bus advertising is about 8m. Those advertisers wishing to attract the attention of tourists can concentrate resources in parts of town.

For London Transport Advertising, the London Transport subsidiary, all this means £23m worth of business a year, making LTA, with 30 per cent of the London market, the capital's biggest poster contractor.

## Sold on the back of a bus

London's public transport system is a lucrative medium, says Diane Summers

Overall, LTA is among the UK's top four poster companies.

New LTA is up for sale: around 40 interested parties, including media companies and poster contractors in the UK and France, are thought to be studying the information memorandum which went out last month; offers from prospective purchasers are due by mid-April and selection of the purchaser is expected by late May.

Among the interested parties are the 250 staff who currently work for LTA - they have

announced that they are attempting a management and employee buy-out. Brian Robinson, managing director, who is leading the buy-out, together with John Swainson, finance director, and Bob Haynes, operations director, describes the sale as a "once in a lifetime opportunity" to acquire what is one of the largest advertising franchises in the world.

The buy-out team can hardly be alone in wanting to expand outside London and to start competing to sell poster advertising in other cities. Such a move, which has been difficult until now because of restrictions on London Transport's areas of operation, would enable the company to make fuller use of its sales force - one of the largest in the poster business - and advanced computer system.

The most innovative of its computer facilities is the "visualisation" system which allows potential advertisers to gauge what their posters would look like in a variety of situations, without having to tramp around stations and down tunnels. LTA has transferred video cameras of the inside of Underground stations - complete with authentic piles of litter - on to a database. Advertisers can sit at the screen, select a station, at which available within it, and even try out different sizes of poster.

Above ground, there may, after all, be something more beautiful than the back of a bus. LTA is now selling the "super rear" which is the whole back of a bus, rather than just a panel. For this "largest, most eye-catching" site LTA says an advertiser can expect to pay a modest £200 per double-deck bus for a month.



Moving targets: advertisements on London buses and in the Underground system have a potential daily audience of millions



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## IN BRIEF Bitter taste of Crédit Lyonnais

A favourite topic of conversation among French financiers has been the precarious state of Crédit Lyonnais, by far the most controversial of France's banks. Recently their comments have adopted a bitter tone.

**Showdown for Paramount**  
The \$10bn, five-month takeover battle for entertainment group Paramount Communications may be within days of a final showdown. Page 20

**SEC votes for new rules**  
The Securities and Exchange Commission voted to propose rules that would establish record-keeping and reporting requirements for brokerage firms operating automated stock trading systems in the US. Page 20

**Banking on a Japanese answer**  
Japan's bureaucrats, scrambling for an ultimate Japanese way to solve the bad loan problem of their country's banks, presented their answer this week. Page 19

**Getting tougher in paints**  
Competition in the European market for painting cars during manufacture is likely to intensify following the German and Dutch authorities' approval last week of the sale of Akzo's share in the business to PPG, the US industrial coatings specialist. Page 21

**India starts to shine**  
While the rest of Asia wobbled on Monday in reaction to the rise in US interest rates, India went in the opposite direction as some foreign investors decided to switch portfolios. Many emerging markets strategists favour the sub-continent as having the potential to show a strong performance in 1994. The country has good prospects helped in the main by stability in the political arena and an increase in exports. Back Page

**Westland shares up on bid rejection**  
Shares in Westland climbed 7.5 per cent after the UK helicopter manufacturer formally rejected the hostile takeover launched by GKN, the UK engineering and industrial services group. Page 25

**Privatisation trust at a premium**  
Shares in the Kleinwort European Privatisation Investment Trust, 230m over-subscribed in its public offer last week, in effect went to a small premium in the first day of trading. Page 24

**Trifast at £21.7m**  
Trifast, the UK manufacturer and distributor of industrial fastenings, will be capitalised at £21.7m (\$47.5m) when it comes to the London market later this month. Page 24

**Bayernwerk taps into energy market**  
The Troubadour privatisation agency has sold the remainder of eastern Germany's regional utilities to Bayernwerk, west Germany's third-largest electricity company. Page 21

**Aetna in after-tax loss**  
Aetna, the US multilink insurer, racked up an after-tax loss of \$96m. Page 20

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Chief price changes yesterday		
PLAIDIRECT (200)		
Plaidirect	354.5	+ 0.5
Plaidirect	354.5	+ 0.5
Plaidirect	354.5	+ 0.5
Plaidirect	354.5	+ 0.5
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Plaidirect	354.5	+ 0.5
Plaidirect	354.5	+ 0.5

LONDON (Pence)		
Alcoa	1052	+ 24
Alcoa	1052	+ 24
Alcoa	1052	+ 24
Alcoa	1052	+ 24
Alcoa	1052	+ 24
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Alcoa	1052	+ 24

## Ford raises earnings to \$719m

By Martin Dickson in New York

Ford Motor yesterday reported a revival in demand and its own manufacturing gains by reporting a fourth quarter earnings of \$719m, compared to a loss of \$10m in the same period of 1993.

The financial services group earned a record \$522m, up from \$372m a year ago. The results were towards the top end of analysts' forecasts, but the shares dipped 5% in morning trading to \$28.75.

Detroit's Big Three motor manufacturers - General Motors, Ford and Chrysler - are all benefiting from a growth in North American demand and less intense competition from Japanese rivals, whose cars now cost significantly more in the American market than US ones.

Chrysler, which like Ford has been making strong market share gains, reported a sharp jump in fourth quarter profits last month. General Motors, with an essentially static market share, will report today.

Mr Alex Trotman, Ford's chairman, said the company was "in good shape for 1994. We have strong new products and we expect better economic conditions".

## Total up despite fall in oil price

By John Riddling in Paris

Total, the French oil group, yesterday announced estimated profits of FF2.9bn (€440m) for last year, slightly above the FF2.8bn achieved in 1992.

Mr Serge Tchuruk, group chairman, said the results demonstrated Total's resilience in the face of recession and the sharp fall in the oil price. The results included an exceptional inventory write-down of FF1.5bn to cover the decline in crude oil prices.

Excluding the inventory loss, operating income rose from FF7.3bn to FF7.6bn, while cash-flow increased to FF11.3bn from FF10bn. Sales remained stable at about FF136bn. The effects of a capital increase in April last year, however, prompted a fall in earnings per share, from FF13.5 to FF13.2.

Total said it had continued to increase reserves and production, develop its gas activities, restructure specialty chemicals and extend its geographical base, while keeping its year-end debt in equity ratio from 31 to 25 per cent.

Mr Tchuruk highlighted progress in Indonesia and Colombia, which should help the company achieve a 40 per cent increase in production, outside the Middle East, during 1994 and next.

In 1993, operating profits in the exploration and production division, which excludes the Middle East, fell from FF2.9bn to FF2.3bn. The main cause was the oil price. Brent crude averaged \$17 per barrel last year, compared with \$19.3 in 1992.

## Daniel Green and David Waller explain why pressure has mounted for a reorganisation of Europe's fibres sector

### Another victim of the fall-out in chemicals

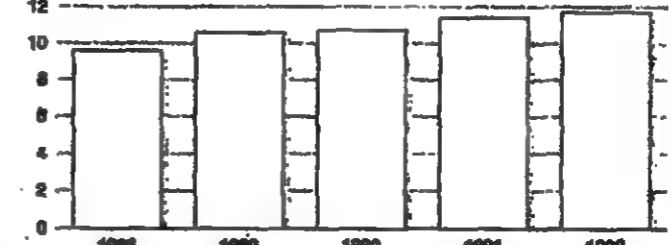
Reorganisations are beautiful. Or so the giants of Germany's chemicals industry seem to think.

If Hoechst goes ahead and puts its huge synthetic fibres operation into a separate legal entity, it would be only the latest in a series of moves that are splintering the chemical empire of continental Europe.

These enterprises span fibres, bulk and specialty chemicals, pharmaceuticals and agriculture. Once the bastion of a huge manufacturing sector, the 1990s have seen sales and profits fall sharply under the weight of overcapacity, recession, imports from eastern Europe and high wage costs - aggravated by social policies and strong currencies.

### Hoechst: units up, earnings down

Wages and salaries (DM billion)



Breakdown of divisional turnover



Share price (DM)



### A tide of reorganisation has washed over the European chemicals industry

Two of Germany's big three chemicals companies, Hoechst and Bayer, have the highest payroll costs as a percentage of sales of any large continental European chemicals companies, according to figures from PricewaterhouseCoopers.

Now it seems that even these steps may not be enough to turn around the business. Hoechst has already handed over control of its acrylics business to Courtauld, now it may be forced to distance itself from its entire European fibres operation.

pean fibres operations fell into the red last year, and in November, Mr Wolfgang Hilger, chief executive, said that the earnings position in fibres was "totally unsatisfactory".

Hoechst said it would cut 2,000 jobs, primarily in Germany. Now it seems that even these steps may not be enough to turn around the business.

## O'Reilly buys into South African newspaper group

By Tim Coome in Dublin and Matthew Curran in Johannesburg

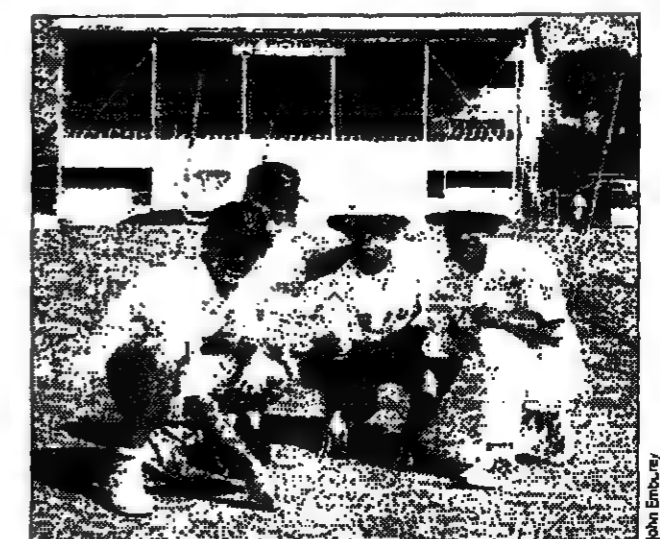
Independent Newspapers, the Irish publishing group controlled by Tony O'Reilly, has announced it is to take a 21 per cent controlling stake in Argus newspapers, the largest newspaper group in South Africa, in its overseas acquisition within a week.

The deal will be financed through a share-swap. The price is estimated at £23.5m. Independent is purchasing from the Johannesburg Consolidated Investments Company and the Anglo-American Corporation.

Mr O'Reilly, who is also chief executive officer of Hain, added that the smoothness of the transaction confirmed the commercial sense of doing business in South Africa. A team from Hain was evaluating partnerships with local companies.

Argus Newspapers turned in pre-tax profit of R53m (£15m) on sales of R55m in 1993. Mr O'Reilly's ties with South Africa go back to his first visit in 1955 as a member of the British Lions rugby team. He shunned investment in South Africa during the apartheid era, but cultivated close links with Mr Robert Mugabe, Zimbabwe's president.

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## SEC to propose new rules for stock trading systems

Mr Arthur Levitt, chairman of the SEC, said that while he welcomed the lower costs and improved

The rule changes are aimed primarily at big securities firms which use their own trading systems to execute orders for their institutional and retail clients. Seeking to cut costs and improve efficiency, more firms have moved from the kind of broker-in-house

The information is already available. It's just a question of deciding what information they want and how they want it reported."

## Earnings at Goodyear climb 30% in quarter

Europe, where the car industry is severely depressed. Latin America, with prices 10 per cent higher and operating income up 74 per cent contin-

# Viacom tops the Paramount bill

## Martin Dickson looks at the final offers for the entertainment group

During the final few days of the campaign, both Mr Sumner Redstone, chairman of Viacom, and Mr Barry Diller, the film industry executive who heads QVC, were busy wooing the public.



However, many investors say they prefer the Viacom offer because it guarantees to pay up to \$12 a share if its stock trades below a certain level in the year after a Paramount

Mr Diller, who headed Paramount during one of its studio's successful phases, and then went on to launch Mr Rupert Murdoch's Fox business as a fourth television network, was the group's first chairman.

Blockbuster's rental business is going to be made obsolete by interactive, video-on-demand in the home.

would be worthy winners. And with the strategic arguments finely balanced, perceptions of short-term shareholder value will win the day, and right now **Time** looks like handing victory to Viacom.

## Charges push Aetna into red

Without the one-off items, ~~2000~~ showed an improvement in operating profits last year.

Earnings improvements were seen in all operating areas during the year. Net income in health and life insurance (before charges) rose to \$144.4 million from \$134.4 million in 1994.

from the unprofitable investment products, to reduce costs and to cut the size of its property portfolio would enable it to improve returns in future.

## KPMG terminates Spectrum role

KPMG was brought in by Spectrum in November by Mr

Spectrum said that the accounting firm gave no reason for ending the relationship, but indicated that the resigna-

Mr. [redacted] was "not based on any accounting disagreements with the company."

"We view their action as arbitrary and unprofessional," said Mr. [redacted], [redacted] chief financial officer. "The accounting firm had not yet received the financial records of the company. We think it is more than reasonable that their resignation follows that of John Sculley."

**Correction**  
**Mr Kirk Kinnear**

We are happy to state that Mr. Kirk Kluwe was not recruited to run the private sewage business of MG Corp., as stated on January 10. He joined the company shortly before the end of the fiscal year, ended September, 1983 as vice-president, crude oil storage. He was not involved with the company's trading in the derivatives markets.

## Northwest Airlines back in black for final term

The company said that the charge would have been higher without the impact of an R&D accounting charge relating to new lithium ion battery Operat-

## Quebecor turns in rise of 93% in operating income

Net income from operations was \$57.2m, or C\$1.11 a share, against \$54.2m, or 86 cents, a year earlier, up 31 per cent. Earnings were C\$3.1bn, up 21 per cent. However, after special

items final net profit was C\$74.6m, or C\$1.10, against C\$74.7m, or C\$1.34.

The company's largest single unit is Quebecor Printing, a world American second-biggest commercial printer. It has just acquired 49 per cent of Groupe Jean Dillie, France's second commercial printer. Later, Quebecor will take full control of Didier which has annual sales of about \$100 million.

Quebecor Printing said it was also looking at acquisitions in Italy and the UK.

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FINANCIAL TIMES THURSDAY FEBRUARY 10 1994

**INVESTMENT TRUSTS - Contd.**[illegible]



## AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

**INITIAL CHARGE:** Charges made on sale of units. Used to defray company's start-up expenditures costs, including construction and equipment. The charge is included in the price of units.

**OFFER PRICE:** Also called tender price. The price at which units are offered to investors.

**UNIT PRICE:** Also called redemption price. The price of which units are sold back by investors.

**CANCELLATION PRICE:** The minimum price at which units can be returned without penalty. If the unit is returned at a price below the cancellation price, the investor must pay the difference. In practice, most sell back cancellation price at a much higher price than the unit's offer price. The difference between the cancellation price and the offer price is the "make good" charge. However, the investor is not required to pay the "make good" charge if the units are sold to the company at a price below the cancellation price. Thus, usually in the event of a sell back, the investor is spared of certain of the costs of the company.

**HISTORIC PRICING:** The factor of historical prices of the units is currently cited as the price set for the most recent valuations. The historical prices of the units are used in the calculation and may not reflect the current, differing levels of demand of an increasing number of investors. The historical prices of the units are also used to determine the price at which the units are sold back. The managers must stand at a forward price, which is the price at which the units are sold back, and may choose to limit the price at which they are sold.

**FORWARD PRICING:** The factor of forward prices of the units is currently cited as the price set for the most recent valuations. In practice, forward pricing is the price at which the units are sold back. The managers must stand at a forward price, which is the price at which the units are sold back, and may choose to limit the price at which they are sold.

**SCHEME PARTICULARS AND REPORTS:** The most recent report upon which the units are based is included here as charges from fund managers.

Other explanatory notes are contained in the last columns of the FT International Funds Service.

55 Lists Announcements and Unit Trust Regulatory Organisation, Centre Point, 100 New Oxford Street, London WC2A 1SP Tel: 071-378-0444.



● ET Cityline Unit Trust Prices are available over the telephone. Call the ET Cityline Help Desk on ( 071 ) 873 4378 for more details.

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	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on
Hitachi .....	11.5m	898		Nippon Steel .....	6.5m	350	
Fujitsu .....	9.7m	1,040	-30	Nitakyu Corp .....	8.2m	1,540	
Furukawa Elec .....	7.8m	704	-3	Sumitomo Elec .....	5.1m	1,600	
Sanken Elec .....	6.7m	918	+38	Shindengen Lab .....	4.8m	1,030	
Toshiba Corp .....	5.5m	731	-7	Mitsubishi Heavy .....	4.9m	701	

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